

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

Six months ended

June 30

1977 1976

Revenue

Mortgages and secured loans . . .	\$ 14,117,000	\$ 12,437,000
Sale of properties	3,978,000	—
Marketable securities	3,238,000	2,951,000
Other	1,638,000	1,114,000
	<u>22,971,000</u>	<u>16,502,000</u>

Expenses

Interest	13,437,000	12,069,000
Cost of properties sold	4,793,000	—
Personnel	1,515,000	1,031,000
Premises	376,000	284,000
Other	1,288,000	956,000
	<u>21,409,000</u>	<u>14,340,000</u>

Earnings before income taxes . . .

1,562,000

Provision for income taxes

375,000

Net earnings

1,187,000

Dividends on preferred shares . .

162,000

Net earnings applicable to common

shares \$ 1,025,000 \$ 937,000

Earnings per common share

75 cents 69 cents

Average number of common

shares outstanding 1,361,478 1,361,478

BRANCH OFFICES

Alberta

Calgary — 209 - 8th Avenue South West
Edmonton — 10420 Jasper Avenue
Grande Prairie — 9933 Richmond Avenue
Lethbridge — 309 - 7 Street South
Medicine Hat — 429 - 3rd Street South East
Red Deer — 4822 Gaetz Avenue

British Columbia

Kamloops — 157 Victoria Street
Vancouver — 564 Howe Street
Victoria — 731 Fort Street

Manitoba

Winnipeg — 349 Portage Avenue

Ontario

Toronto — 8 King Street East

Quebec

Montreal — 1450 St. Catherine Street West

EXECUTIVE OFFICES

209 - 8th Avenue South West
Calgary, Alberta T2P 1B8
One Place Ville Marie, Suite 3424
Montreal Quebec H3B 3N6

MEMBER CANADA DEPOSIT INSURANCE CORPORATION
MEMBER QUEBEC DEPOSIT INSURANCE BOARD



**Commerce
Capital
Trust**

Interim Report to Shareholders
For Six Months Ended June 30, 1977

AR48

TO THE SHAREHOLDERS:

This report presents the unaudited financial statements for the Company's operations over the six month period ended June 30, 1977. Consolidated net earnings for the first half of the year were \$1,187,000 compared with \$1,099,000 during the same period in 1976. After providing for dividends on the preferred shares, earnings available to common shareholders amounted to \$1,025,000 or 75 cents per share, compared with \$937,000 or 69 cents per share last year.

The Company's Board of Directors has declared a quarterly dividend of 14 cents per common share payable September 30, 1977 to shareholders of record September 16, 1977. This is an increase over the previous 12 cent quarterly dividend. In addition, the regular quarterly dividend on outstanding preferred shares was declared payable October 31, 1977 to shareholders of record October 14, 1977.

Total assets of the Company now amount to \$350 million, up from \$327 million at year end, the greatest part of this growth being recorded in the Company's mortgage portfolio. This expansion was financed principally through a \$22 million increase in the guaranteed account.

Early in 1977 we increased substantially our preferred share holdings due to the fact that this type of investment offered an exceptionally attractive after-tax return. Since the dividends on these holdings are not taxable in our hands, the tax savings is of major significance. As a result, our operating performance can only be measured in a meaningful way on the basis of after-tax earnings. Any comparison of the current year's pre-tax earnings with those of the previous year can be misleading.

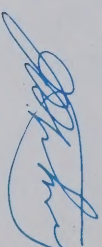
During the past three months, our mortgage operations have been very active and commit-

ments are continuing at a very satisfactory rate. This means that our summer and fall mortgage fundings will be well ahead of 1976 levels.

Our recently introduced mortgage investment fund, the Comcap Mortgage Fund, has been well received to date by our customers and we anticipate that it will continue to play an increasingly important role in the growth of our administered assets.

During the past two months, the Canadian Senate has completed detailed studies of two major pieces of federal legislation which are most relevant to our operations -- the Bank Act and the Borrowers and Depositors Protection Act. We are pleased that in their review of the Bank Act the Senate concurred with the trust industry's submission that trust companies not be required to maintain non-interest bearing reserves with the Bank of Canada. We expect that this recommendation will be accepted. With respect to the Borrowers and Depositors Protection Act, the Senate Committee recommended that it be withdrawn and that a consultative process with all interested parties be commenced with a view to a full redrafting. The Minister of Consumer and Corporate Affairs has announced that he will follow this course of action and we expect that the trust industry will provide an important input into the redrafting.

Yours truly,



J. B. Whitely
Calgary, Alberta
August 2, 1977

CONSOLIDATED BALANCE SHEET

(Unaudited)
As at June 30
1977 1976

Assets			
Cash and marketable securities . . .	\$ 69,115,000	\$ 58,046,000	
Mortgages and secured loans	240,162,000	204,371,000	
Accounts receivable and prepaid expenses	2,196,000	1,915,000	
Properties	36,150,000	35,267,000	
Premises and equipment	2,438,000	1,980,000	
	<u>\$350,061,000</u>	<u>\$301,579,000</u>	
Liabilities and Shareholders' Equity			
Guaranteed account	\$312,072,000	\$264,936,000	
Other liabilities			
Mortgages	12,356,000	11,641,000	
Subordinated notes	1,832,000	2,000,000	
Other	3,853,000	5,278,000	
Deferred income	3,638,000	4,613,000	
Deferred income taxes	2,772,000	1,208,000	
Minority interest	71,000	74,000	
Shareholders' equity			
Preferred	3,000,000	3,000,000	
Common	10,467,000	8,829,000	
	<u>\$350,061,000</u>	<u>\$301,579,000</u>	